

## AUDITING PROCEDURES REPORT

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Local Government Type <input type="checkbox"/> City <input type="checkbox"/> Township <input checked="" type="checkbox"/> Village <input type="checkbox"/> Other		Local Government Name Village of Chatham	County Alger
Audit Date 6/30/05	Opinion Date 10/7/5	Date Accountant Report Submitted to State: 12/1/5	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- ☐ yes ☒ no 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.
- ☐ yes ☒ no 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).
- ☒ yes ☐ no 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).
- ☐ yes ☒ no 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.
- ☐ yes ☒ no 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]).
- ☐ yes ☒ no 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit.
- ☐ yes ☒ no 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year).
- ☐ yes ☒ no 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).
- ☐ yes ☒ no 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).

We have enclosed the following:

	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.	X		
Reports on individual federal financial assistance programs (program audits).			X
Single Audit Reports (ASLGU).			X

Certified Public Accountant (Firm Name) Anderson, Tackman & Co, PLC			
Street Address 102 W. Washington St., Suite 109	City Marquette	State MI	ZIP 49855
Accountant Signature Michael A. [Signature] CPA			

**VILLAGE OF CHATHAM, MICHIGAN**  
**FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2005**

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# ANDERSON, TACKMAN & COMPANY, P.L.C.

CERTIFIED PUBLIC ACCOUNTANTS

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## INDEPENDENT AUDITORS' REPORT

Honorable President and Members of  
The Village Board of Trustees  
Village of Chatham, Michigan  
P.O. Box 167  
Chatham, Michigan 49816

We have audited the accompanying financial statements of the governmental activities, business-type activities, each major fund, and remaining fund information, of the Village of Chatham, Michigan as of and for the year ended June 30, 2005, which collectively comprise the Village of Chatham, Michigan's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Village of Chatham, Michigan's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities, business-type activities, each major fund and aggregate remaining fund information of the Village of Chatham, Michigan at June 30, 2005, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued a report dated October 7, 2005 on our consideration of the Village of Chatham, Michigan's internal control over financial reporting and our tests of its compliance with certain provision of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in conjunction with this report in considering the results of our audit.

The Management's Discussion and Analysis and budgetary comparison information on pages 5 through 9 and 29 through 31, are not a required part of the basic financial statements, but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain

Honorable President and Members of the Village Board of Trustees  
Village of Chatham, Michigan

limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Village of Chatham, Michigan's basic financial statements. The combining and non-major fund financial statements and schedules as listed in the accompanying table of contents are presented for the purpose of additional analysis and are not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, based on our audit is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

*Anderson, Tackman & Company, PLC*  
Certified Public Accountants

October 7, 2005

## Village of Chatham, Michigan

### MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

Our discussion and analysis of the Village of Chatham's financial performance provides an overview of the Village's financial activities for the year ended June 30, 2005. Please read it in conjunction with the financial statements, which begin on page 10.

#### FINANCIAL HIGHLIGHTS

- Net assets for the Village as a whole decreased by \$92,055 as a result of this year's operations. Net assets of our business-type activities decreased by \$50,386, or 4 percent, and net assets of our governmental activities decreased by \$41,669, or 15 percent.
- During the year, the Village had expenses for governmental activities that were \$127,475 which is \$84,288 more than the \$43,137 generated in program revenue sources.
- During the year, the Village had expenses for business-type activities that were \$121,728 which is \$52,138 more than the \$69,590 generated in program revenue sources.
- The General Fund reported a net fund balance of \$30,524, which is a decrease of \$850 as a result of this year's operations.

#### USING THIS ANNUAL REPORT

This annual report consists of a series of financial statements. The Statement of Net Assets and the Statement of Activities (on pages 10 and 11) provide information about the activities of the Village as a whole and present a longer-term view of the Village's finances. Fund financial statements start on page 12. For governmental activities, these statements tell how these services were financed in the short term as well as what remains for the future spending. Fund financial statements also report the Village's operations in more detail than the government-wide statements by providing information about the Village's most significant funds. The remaining statements provide financial information about activities for which the Village acts solely as a trustee or agent for the benefit of those outside the government.

#### **Reporting the Village as a Whole**

Our analysis of the Village as a whole begins on page 4. One of the most important questions asked about the Village's finances is "Is the Village as a whole better off or worse off as a result of the year's activities?" The Statement of Net Assets and the Statement of Activities report information about the Village as a whole and about its activities in a way that helps answer this question. These statements include *all* assets and liabilities using the *accrual basis of accounting*, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid. These two statements report the Village's *net assets* and changes in them. You can think of the Village's net assets - the difference between assets and liabilities - as one way to measure the Village's financial health, or *financial position*. Over time, *increases or decreases* in the Village's net assets are one indicator of whether its *financial health* is improving or deteriorating. You will need to consider other non-financial factors, however, such as changes in the Village's patron base and the condition of the Village's capital assets, to assess the *overall financial health* of the Village.

## MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) (Continued)

In the Statement of Net Assets and the Statement of Activities, we divide the Village into two kinds of activities:

- **Governmental Activities** – Most of the Village's basic services are reported here, including the legislative, elections, public safety, public works, recreation and culture, community and economic development and general services and administration. Property taxes, charges for services and state sources fund most of these activities.
- **Business-Type Activities** – The Village charges a fee to customers to help it cover all or most of the cost of certain services it provides. The Village's Water System and Sewer System activities are reported here.

### Reporting the Village's Most Significant Funds

Our analysis of the Village's major funds begins on page 8. The fund financial statements begin on page 12 and provide detailed information on the most significant funds – not the Village as a whole. Some funds are required to be established by State law and by bond covenants. However, the Village Board establishes many other funds to help it control and manage money for particular purposes or to show that it is meeting legal responsibilities for using taxes, grants, and other money. The Village's two kinds of funds - *governmental* and *proprietary* - use different accounting approaches.

- **Governmental funds** – Most of the Village's basic services are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end that are available for spending. These funds are reported using an accounting method called *modified accrual* accounting, which measures cash and all other financial assets that can be readily converted into cash. The governmental fund statements provide a detailed *short-term view* of the Village's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the Village's programs. We describe the relationship (or differences) between governmental *activities* (reported in the Statement of Net Assets and Statement of Activities) and governmental *funds* in a reconciliation which follows the fund financial statements.
- **Proprietary funds** – When the Village charges customers for the services it provides – whether to outside customers or to other units of the Village – these services are generally reported in proprietary funds. Proprietary funds are reported in the same way that all activities are reported in the Statement of Net Assets and the Statement of Activities. In fact, the Village's enterprise funds (a component of proprietary funds) are the same as the business-type activities we report in the government-wide statements but provide more detail and additional information, such as cash flows, for proprietary funds. We use internal service funds (the other component of proprietary funds) to report activities that provide supplies and services for the Village's other programs and activities.

### The Village as a Whole

Table I provides a summary of the Village's net assets as of June 30, 2005 and 2004.

**Table 1**  
**Net Assets**

	2005			2004		
	Governmental Activities	Business-Type Activities	Total Primary Government	Governmental Activities	Business-Type Activities	Total Primary Government
Current and other assets	\$158,813	\$ 119,372	\$ 278,185	\$194,646	\$ 106,856	\$301,502
Capital assets, net	81,045	1,305,050	1,386,095	85,050	1,367,619	1,452,669
<b>Total Assets</b>	<b>239,858</b>	<b>1,424,422</b>	<b>1,664,280</b>	<b>279,696</b>	<b>1,754,171</b>	<b>2,033,867</b>
Current liabilities	4,031	11,902	15,933	2,200	9,569	11,769
Non-current liabilities	-	191,000	191,000	-	193,000	193,000
<b>Total Liabilities</b>	<b>4,031</b>	<b>202,902</b>	<b>206,933</b>	<b>2,200</b>	<b>202,569</b>	<b>204,769</b>

## MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) (Continued)

	2005			2004		
	Governmental Activities	Business-Type Activities	Total Primary Government	Governmental Activities	Business-Type Activities	Total Primary Government
Net Assets:						
Invested in capital assets, net of related debt	\$81,045	\$1,112,050	\$1,193,095	\$83,607	\$1,172,619	\$1,256,226
Restricted	-	47,813	47,813	-	44,190	44,190
Unrestricted (deficit)	154,782	61,657	216,439	193,889	55,097	248,986
	<u>\$235,827</u>	<u>\$1,221,520</u>	<u>\$1,457,347</u>	<u>\$277,496</u>	<u>\$277,496</u>	<u>\$1,271,906</u>

Net assets of the Village's governmental activities stood at \$235,827. *Unrestricted* net assets—the part of net assets that could be used to finance day-to-day activities without constraints established by debt covenants, enabling legislation, or other legal requirements stood at \$154,782.

The \$154,782 in unrestricted net assets of governmental activities represents the accumulated results of all past years' operations. The operating results of the General Fund will have a significant impact on the change in unrestricted net assets from year to year.

The net assets of our business-type activities stood at \$1,221,520. The Village can generally only use these net assets to finance continuing operations of the Water System and Sewer System operations.

The results of this year's operations for the Village as a whole are reported in the Statement of Activities (see Table 2), which shows the changes in net assets for fiscal year 2005 and 2004.

Table 2 Change in Net Assets						
	2005			2004		
	Governmental Activities - 2005	Business-Type Activities	Total Primary Government	Governmental Activities	Business-Type Activities	Total Primary Government
<b>Revenues</b>						
Program Revenues:						
Charges for services	\$8,840	\$66,361	\$75,201	\$5,198	\$56,002	\$61,200
Operating Grants and Contributions	34,347	3,229	37,576	44,130	19,187	63,317
General Revenues:						
Property taxes	18,221	-	18,221	18,569	-	18,569
State Sources	20,564	-	20,564	28,007	-	28,007
Interest and Miscellaneous	3,834	1,752	5,586	1,747	1,226	2,973
Total Revenues	<u>85,806</u>	<u>71,342</u>	<u>157,148</u>	<u>97,651</u>	<u>76,415</u>	<u>174,066</u>
<b>Program Expenses:</b>						
Legislative	3,800	-	3,800	2,275	-	2,275
Elections	-	-	-	1,060	-	1,060
General Services and administration	31,934	-	31,934	28,534	-	28,534
Public Safety	632	-	632	622	-	622
Public Works	89,792	-	89,792	27,096	-	27,096
Other	1,317	-	1,317	15,443	-	15,443
Sewer system	-	95,233	26,495	-	95,671	95,671
Water system	-	26,495	95,233	-	32,579	32,579
Total Expenses	<u>127,475</u>	<u>121,728</u>	<u>249,203</u>	<u>75,030</u>	<u>128,250</u>	<u>203,280</u>
Increase (decrease) in net assets	(41,669)	(50,386)	(92,055)	22,621	(51,835)	(29,214)
Net assets, beginning, as restated	277,496	1,271,906	1,549,402	254,875	1,323,741	1,578,616
Net Assets, Ending	<u>\$235,827</u>	<u>\$1,221,520</u>	<u>\$1,457,347</u>	<u>\$277,496</u>	<u>\$1,271,906</u>	<u>\$1,549,402</u>

The Village's total revenues were \$157,168. The total cost of all programs and services was \$249,203, leaving a decrease in net assets of \$92,055. Our analysis below separately considers the operations of governmental and business-type activities:

### **Governmental Activities**

The Governmental Activities had a Net Loss of \$38,188 which is made up of, Depreciation Expense of \$2,075, Principal reclassifying of \$1,443, and Internal Service Fund Loss from Operations of \$1,849.

## MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) (Continued)

### ***Business-type Activities***

The Business-Type Activities had a Net Loss of \$50,386 which is resulting from not charging users enough to cover depreciation expense.

### **THE VILLAGE'S FUNDS**

As the Village completed the year, its governmental funds (as presented in the balance sheet on page 13 reported a *combined* fund balance of \$149,176 a decrease of \$39,188 from the beginning of the year.

#### General Fund

In our General Fund, loss was \$580 less for immaterial items.

#### Major Road Fund

In our Major Road Fund, loss was \$43,984 due to contraction projects of \$59,815.

#### Local Road Fund

In our Local Road Fund, income was \$5,646 due to no construction projects during the year.

### **General Fund Budgetary Highlights**

Over the course of the year, the Village Board did not revise the budget.

Budget amendments were not done during the year due to simple oversight. There were no significant budget variances during the fiscal year. Revenues were \$571 less then the budgeted \$41,650 and expenditures were \$279 greater than the budgeted \$41,650.

## **CAPITAL ASSET AND DEBT ADMINISTRATION**

### **Capital Assets**

At the end of fiscal 2005 and 2004, the Village had \$1,386,095 and 1,452,669 invested in a variety of capital assets including land and improvements, buildings and improvements, and other equipment. (See table 3 below).

Table 3  
Capital Assets at Year-End

	2005			2004		
	Governmental Activities	Business-Type Activities	Totals	Governmental Activities	Business-Type Activities	Totals
Land	\$ 1,000	\$ 6,225	\$7,225	\$1,000	\$ 6,225	\$ 7,225
Buildings and improvements	68,475	1,293,701	1,362,176	70,550	1,355,904	1,426,454
Equipment and furnishings	11,570	5,124	16,694	13,500	5,490	18,990
<b>TOTALS</b>	<b>\$81,045</b>	<b>\$1,305,050</b>	<b>\$1,386,095</b>	<b>\$85,050</b>	<b>\$1,367,619</b>	<b>\$1,452,669</b>

There were no additions or deletions to Capital Assets during the current year end depreciation expense of \$66,574 were record during the year.

### **Debt**

At the end of fiscal year 2005 and 2004, the Village had \$195,000 and \$198,443 in bonds and notes outstanding as depicted in Table 4 below.

Table 4  
Outstanding Debt at Year-End

	2005			2004		
	Governmental Activities	Business-Type Activities	Totals	Governmental Activities	Business-Type Activities	Totals
Revenue Bond	\$ -	\$193,000	\$193,000	\$ -	\$195,000	\$195,000
Building Note	-	-	-	1,443	-	1,443
<b>TOTALS</b>	<b>\$ -</b>	<b>\$193,000</b>	<b>\$193,000</b>	<b>\$1,443</b>	<b>\$195,000</b>	<b>\$196,443</b>

There were no new additions to debt for this year and principal payments of \$3,443. Further details on long-term debt can be found in the Footnotes to the Financial Statements.

## **MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) (Continued)**

### **ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS**

In preparing the Village's budget for the year ending June 30, 2006, the Village considered the following issues:

We reviewed the fiscal year 2004 and 2005 budget vs. actual and budgeted roughly the same amounts, except for some minor variances.

### **CONTACTING THE VILLAGE'S FINANCIAL MANAGEMENT**

This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of the Village's finances and to show the Village's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Village of Chatham, P.O. Box 167, Chatham, MI 49816.

Village of Chatham, Michigan

STATEMENT OF NET ASSETS

June 30, 2005

	Primary Government		
	Governmental Activities	Business Type Activities	Total
<b>ASSETS</b>			
Current Assets:			
Cash and investments	\$ 142,919	\$ 109,658	\$ 252,577
Receivables (net)	15,894	9,714	25,608
<b>TOTAL CURRENT ASSETS</b>	<b>158,813</b>	<b>119,372</b>	<b>278,185</b>
Non-current assets:			
Land and construction in progress	1,000	6,225	7,225
Other capital assets	133,378	2,323,135	2,456,513
Accumulated depreciation	(53,333)	(1,024,310)	(1,077,643)
Total Capital Assets	81,045	1,305,050	1,386,095
<b>TOTAL NON-CURRENT ASSETS</b>	<b>81,045</b>	<b>1,305,050</b>	<b>1,386,095</b>
<b>TOTAL ASSETS</b>	<b>239,858</b>	<b>1,424,422</b>	<b>1,664,280</b>
<b>LIABILITIES:</b>			
Current Liabilities:			
Accounts payable	781	2,487	3,268
Accrued liabilities	3,250	3,475	6,725
Deferred revenue	-	-	-
Current portion of bonds payable	-	2,000	2,000
Other current liabilities	-	3,940	3,940
<b>TOTAL CURRENT LIABILITIES</b>	<b>4,031</b>	<b>11,902</b>	<b>15,933</b>
Non-current Liabilities:			
Compensated absences	-	-	-
Bonds payable	-	191,000	191,000
<b>TOTAL NON-CURRENT LIABILITIES</b>	<b>-</b>	<b>191,000</b>	<b>191,000</b>
<b>TOTAL LIABILITIES</b>	<b>4,031</b>	<b>202,902</b>	<b>206,933</b>
<b>NET ASSETS</b>			
Invested in capital assets net of related debt	81,045	1,112,050	1,193,095
Restricted for:			
Debt Service	-	47,813	47,813
Unrestricted	154,782	61,657	216,439
<b>TOTAL NET ASSETS</b>	<b>\$ 235,827</b>	<b>\$ 1,221,520</b>	<b>\$ 1,457,347</b>

The accompanying notes are an integral part of these financial statements.

Village of Chatham, Michigan

STATEMENT OF ACTIVITIES

For the Fiscal Year Ended June 30, 2005

Function / Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Assets		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		
					Governmental Activities	Business Type Activities	Total
<b>Primary Government:</b>							
Governmental Activities:							
Legislative	\$ 3,800	\$ -	\$ -	\$ -	\$ (3,800)	\$ -	\$ (3,800)
Elections	-	-	-	-	-	-	-
General services and administration	31,934	-	-	-	(31,934)	-	(31,934)
Public safety	632	-	632	-	-	-	-
Public works	89,792	8,840	33,715	-	(47,237)	-	(47,237)
Community and economic development	-	-	-	-	-	-	-
Recreation and culture	-	-	-	-	-	-	-
Other	1,317	-	-	-	(1,317)	-	(1,317)
Total Governmental Activities	127,475	8,840	34,347	-	(84,288)	-	(84,288)
<b>Business Type Activities:</b>							
Sewer Fund	26,495	19,362	-	-	-	(7,133)	(7,133)
Water Fund	95,233	46,999	3,229	-	-	(45,005)	(45,005)
Total Business Type Activities	121,728	66,361	3,229	-	-	(52,138)	(52,138)
<b>TOTAL PRIMARY GOVERNMENT</b>	<b>\$ 249,203</b>	<b>\$ 75,201</b>	<b>\$ 37,576</b>	<b>\$ -</b>	<b>(84,288)</b>	<b>(52,138)</b>	<b>(136,426)</b>
General Revenues:							
Taxes							
Unrestricted State sources							
Interest and investment earnings							
Miscellaneous							
Transfers							
		18,221	-	-	18,221	-	18,221
		20,564	-	-	20,564	-	20,564
		1,982	1,752	-	1,752	3,734	3,734
		1,852	-	-	1,852	-	1,852
		-	-	-	-	-	-
<b>TOTAL GENERAL REVENUES AND TRANSFERS</b>		<b>42,619</b>	<b>1,752</b>		<b>42,619</b>	<b>44,371</b>	<b>44,371</b>
<b>CHANGE IN NET ASSETS</b>							
		(41,669)			(41,669)	(50,386)	(92,055)
Net assets, beginning of year		277,496			277,496	1,271,906	1,549,402
<b>NET ASSETS, END OF YEAR</b>		<b>\$ 235,827</b>	<b>\$ 1,221,520</b>		<b>\$ 1,221,520</b>	<b>\$ 1,457,347</b>	<b>\$ 1,457,347</b>

The accompanying notes are an integral part of these financial statements.

Village of Chatham, Michigan

GOVERNMENTAL FUNDS

BALANCE SHEET

June 30, 2005

	General Fund	Major Road Fund	Local Road Fund	Non-Major Governmental Funds (Liquor Law Fund)	Total Governmental Funds
<b>ASSETS</b>					
Cash and investments	\$ 23,900	\$ 61,805	\$ 51,608	\$ -	\$ 137,313
Receivables	8,374	3,445	2,010	-	13,829
Due from other funds	2,065	-	-	-	2,065
<b>TOTAL ASSETS</b>	<b>\$ 34,339</b>	<b>\$ 65,250</b>	<b>\$ 53,618</b>	<b>\$ -</b>	<b>\$ 153,207</b>
<b>LIABILITIES AND FUND BALANCE</b>					
<b>LIABILITIES:</b>					
Accounts payable	\$ 565	\$ -	\$ -	\$ -	\$ 565
Due to other funds	-	155	61	-	216
Accrued payroll and related	3,250	-	-	-	3,250
Deferred revenue	-	-	-	-	-
<b>TOTAL LIABILITIES</b>	<b>3,815</b>	<b>155</b>	<b>61</b>	<b>-</b>	<b>4,031</b>
<b>FUND BALANCE:</b>					
Unreserved, reported in:					
General Fund	30,524	-	-	-	30,524
Major Road Fund	-	65,095	-	-	65,095
Local Road Fund	-	-	53,557	-	53,557
Liquor Law Fund	-	-	-	-	-
<b>TOTAL FUND BALANCE</b>	<b>30,524</b>	<b>65,095</b>	<b>53,557</b>	<b>-</b>	<b>149,176</b>
<b>TOTAL LIABILITIES AND FUND BALANCE</b>	<b>\$ 34,339</b>	<b>\$ 65,250</b>	<b>\$ 53,618</b>	<b>\$ -</b>	<b>\$ 153,207</b>

The accompanying notes are an integral part of these financial statements.

Village of Chatham, Michigan

RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS  
TO THE STATEMENT OF NET ASSETS

June 30, 2005

**Total Fund Balances for Governmental Funds** \$ 149,176

*Amounts reported for governmental activities in the statement  
of net assets are different because:*

Capital assets used in governmental activities are not financial  
resources and therefore are not reported in the funds

Cost of Capital Assets	84,000	
Accumulated Deprecation of Assets	<u>(14,525)</u>	69,475

Long-term liabilities, including bonds payable, are not due and payable  
in the current period and therefore are not reported in the funds.

Current portion of bonds payable	\$ -	
Compensated absences	-	
Bonds payable	<u>-</u>	<u>-</u>

Internal Service Funds are used by management to administer the  
activities of the Motor Vehicle and Equipment Fund. The assets and  
liabilities of the internal service funds are included in the governmental  
activities in the statement of net assets, net of capital assets.

Cost of Capital Assets	50,378	
Accumulated Depreciation	<u>(38,808)</u>	
Net Assets	<u>5,606</u>	<u>17,176</u>

**NET ASSETS OF GOVERNMENTAL ACTIVITIES** \$ 235,827

The accompanying notes are an integral part of these financial statements.

Village of Chatham, Michigan

GOVERNMENTAL FUNDS

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE

For the Fiscal Year Ended June 30, 2005

	General Fund	Major Road Fund	Local Road Fund	Non-Major Governmental Funds (Liquor Law Fund)	Total Governmental Funds
<b>REVENUES:</b>					
Taxes	\$ 18,221	\$ -	\$ -	\$ -	\$ 18,221
Licenses and permits	-	-	-	-	-
State sources	20,564	21,297	12,418	632	54,911
Charges for services	-	-	-	-	-
Interest	442	812	613	-	1,867
Other	1,852	-	-	-	1,852
<b>TOTAL REVENUES</b>	<b>41,079</b>	<b>22,109</b>	<b>13,031</b>	<b>632</b>	<b>76,851</b>
<b>EXPENDITURES:</b>					
Current operations:					
Legislative	3,800	-	-	-	3,800
Elections	-	-	-	-	-
General services and administration	29,859	-	-	-	29,859
Public safety	-	-	-	632	632
Public works	5,510	66,093	7,385	-	78,988
Community and economic development	-	-	-	-	-
Recreation and culture	-	-	-	-	-
Other	1,220	-	-	-	1,220
Capital outlay	1,540	-	-	-	1,540
<b>TOTAL EXPENDITURES</b>	<b>41,929</b>	<b>66,093</b>	<b>7,385</b>	<b>632</b>	<b>116,039</b>
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</b>	<b>(850)</b>	<b>(43,984)</b>	<b>5,646</b>	<b>-</b>	<b>(39,188)</b>
<b>OTHER FINANCING SOURCES (USES):</b>					
Transfers in	-	-	-	-	-
Transfers (out)	-	-	-	-	-
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>CHANGE IN FUND BALANCE</b>	<b>(850)</b>	<b>(43,984)</b>	<b>5,646</b>	<b>-</b>	<b>(39,188)</b>
Fund balance, beginning of year	31,374	109,079	47,911	-	188,364
<b>FUND BALANCE, END OF YEAR</b>	<b>\$ 30,524</b>	<b>\$ 65,095</b>	<b>\$ 53,557</b>	<b>\$ -</b>	<b>\$ 149,176</b>

The accompanying notes are an integral part of these financial statements.

**Village of Chatham, Michigan**

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN  
FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES**

For the Fiscal Year Ended June 30, 2005

<b>Net Change in Fund Balances - Total Governmental Funds</b>	<b>\$ (39,188)</b>
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*Amounts reported for governmental activities in the statement  
of activities are different because:*

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.

Capital outlays	\$ -	
Depreciation expense	<u>(2,075)</u>	(2,075)

Repayment of note principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets

1,443

Some expenses reported in the statement of activities, such as compensated absences, do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.

-

Internal Service Funds are used by management to administer the activities of the Motor Vehicle and Equipment Fund. The assets and liabilities of the internal service funds are included in the governmental activities in the statement of net assets, net of capital assets.

(1,849)

<b>CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES</b>	<b><u>\$ (41,669)</u></b>
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The accompanying notes are an integral part of these financial statements.

Village of Chatham, Michigan

PROPRIETARY FUNDS

STATEMENT OF NET ASSETS

June 30, 2005

	Business - Type Activities Enterprise Funds			Governmental Activities
	Sewer System Fund	Water System Fund	Total	Internal Service Funds (Motor Vehicle and Equipment Fund)
<b>ASSETS:</b>				
Current Assets:				
Cash and investments	\$ 39,290	\$ 70,368	\$ 109,658	\$ 5,606
Accounts receivable, net	-	9,644	9,644	-
Due from other funds	-	70	70	-
<b>TOTAL CURRENT ASSETS</b>	<b>39,290</b>	<b>80,082</b>	<b>119,372</b>	<b>5,606</b>
Non-current Assets:				
Capital assets	475,010	1,854,350	2,329,360	50,378
Accumulated depreciation	(298,209)	(726,101)	(1,024,310)	(38,808)
<b>TOTAL NON-CURRENT ASSETS</b>	<b>176,801</b>	<b>1,128,249</b>	<b>1,305,050</b>	<b>11,570</b>
<b>TOTAL ASSETS</b>	<b>216,091</b>	<b>1,208,331</b>	<b>1,424,422</b>	<b>17,176</b>
<b>LIABILITIES:</b>				
Current Liabilities:				
Accounts payable	242	326	568	-
Due to other funds	915	1,004	1,919	-
Water deposits payable	-	3,475	3,475	-
Accrued interest payable	-	3,940	3,940	-
Current portion of long-term debt	-	2,000	2,000	-
<b>TOTAL CURRENT LIABILITIES</b>	<b>1,157</b>	<b>10,745</b>	<b>11,902</b>	<b>-</b>
Non-current Liabilities:				
Bond payable	-	191,000	191,000	-
<b>TOTAL NON-CURRENT LIABILITIES</b>	<b>-</b>	<b>191,000</b>	<b>191,000</b>	<b>-</b>
<b>TOTAL LIABILITIES</b>	<b>1,157</b>	<b>201,745</b>	<b>202,902</b>	<b>-</b>
<b>NET ASSETS:</b>				
Invested in capital assets net of related debt	176,801	935,249	1,112,050	11,570
Restricted - debt service	-	47,813	47,813	-
Unrestricted	38,133	23,524	61,657	5,606
<b>TOTAL NET ASSETS</b>	<b>\$ 214,934</b>	<b>\$ 1,006,586</b>	<b>\$ 1,221,520</b>	<b>\$ 17,176</b>

The accompanying notes are an integral part of these financial statements.

Village of Chatham, Michigan

PROPRIETARY FUNDS

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS

For the Fiscal Year Ended June 30, 2005

	Business - Type Activities Enterprise Funds			Governmental Actives
	Sewer System Fund	Water System Fund	Total	Internal Service Funds (Motor Vehicle and Equipment Fund)
<b>OPERATING REVENUES:</b>				
Charges for services (net)	\$ 17,212	\$ 46,999	\$ 64,211	\$ 8,840
State sources	-	3,229	3,229	-
Other operating revenue	2,150	-	2,150	-
<b>TOTAL OPERATING REVENUES</b>	<b>19,362</b>	<b>50,228</b>	<b>69,590</b>	<b>8,840</b>
<b>OPERATING EXPENSES:</b>				
Operating expenses	14,567	32,687	47,254	8,874
Depreciation	11,928	50,643	62,571	1,930
<b>TOTAL OPERATING EXPENSES</b>	<b>26,495</b>	<b>83,330</b>	<b>109,825</b>	<b>10,804</b>
<b>OPERATING INCOME (LOSS)</b>	<b>(7,133)</b>	<b>(33,102)</b>	<b>(40,235)</b>	<b>(1,964)</b>
<b>NON-OPERATING REVENUES (EXPENSES):</b>				
Investment income	619	1,133	1,752	115
Interest expense	-	(11,903)	(11,903)	-
<b>TOTAL NON-OPERATING REVENUES (EXPENSES)</b>	<b>619</b>	<b>(10,770)</b>	<b>(10,151)</b>	<b>115</b>
<b>INCOME (LOSS) BEFORE TRANSFERS</b>	<b>(6,514)</b>	<b>(43,872)</b>	<b>(50,386)</b>	<b>(1,849)</b>
<b>TRANSFERS IN/(OUT)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>CHANGE IN NET ASSETS</b>	<b>(6,514)</b>	<b>(43,872)</b>	<b>(50,386)</b>	<b>(1,849)</b>
Net assets, beginning of year	221,448	1,050,458	1,271,906	19,025
<b>NET ASSETS, END OF YEAR</b>	<b>\$ 214,934</b>	<b>\$ 1,006,586</b>	<b>\$ 1,221,520</b>	<b>\$ 17,176</b>

The accompanying notes are an integral part of these financial statements.

Village of Chatham, Michigan

PROPRIETARY FUNDS

STATEMENT OF CASH FLOWS

For the Fiscal Year Ended June 30, 2005

	Business -Type Activities Enterprise Funds		Governmental Activities	
	Sewer System Fund	Water System Fund	Total	Internal Service Funds (Motor Vehicle and Equipment Fund)
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>				
Cash received from fees and charges for services	\$ 17,455	\$ 43,110	\$ 60,565	\$ 8,840
Other operating revenues	2,150	3,229	5,379	-
Cash payments to employees for services	(8,293)	(13,653)	(21,946)	-
Cash payments to suppliers for goods and services	(6,275)	(19,076)	(25,351)	(8,874)
<b>NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>	<b>5,037</b>	<b>13,610</b>	<b>18,647</b>	<b>(34)</b>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</b>				
Cash payments for capital assets	-	-	-	-
(Increase) decrease in due from funds	915	934	1,849	-
Interest payments on bonds	-	(11,903)	(11,903)	-
Principal payments on bonds	-	(2,000)	(2,000)	-
<b>NET CASH PROVIDED (USED) BY CAPITAL AND RELATED FINANCING ACTIVITIES</b>	<b>915</b>	<b>(12,969)</b>	<b>(12,054)</b>	<b>-</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>				
Interest income	618	1,133	1,751	115
Investments and restricted assets	-	-	-	-
<b>NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES</b>	<b>618</b>	<b>1,133</b>	<b>1,751</b>	<b>115</b>
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<b>6,570</b>	<b>1,774</b>	<b>8,344</b>	<b>81</b>
Cash and cash equivalents, beginning of year	32,720	68,594	101,314	5,525
<b>CASH AND CASH EQUIVALENTS, END OF YEAR</b>	<b>\$ 39,290</b>	<b>\$ 70,368</b>	<b>\$ 109,658</b>	<b>\$ 5,606</b>
<b>RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:</b>				
Operating income (loss)	\$ (7,133)	\$ (33,102)	\$ (40,235)	\$ (1,984)
Adjustments to reconcile operating income to net cash provided by operating activities:				
Depreciation	11,927	50,642	62,569	1,930
Change in assets and liabilities:				
(Increase) decrease in accounts receivable	-	(4,102)	(4,102)	-
Increase (decrease) in accounts payable	243	326	569	-
Increase (decrease) in water deposits payable	-	(113)	(113)	-
Increase (decrease) in accrued interest	-	(41)	(41)	-
<b>NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>	<b>\$ 12,170</b>	<b>\$ 46,712</b>	<b>\$ 58,882</b>	<b>\$ 1,930</b>
	<b>5,037</b>	<b>13,610</b>	<b>18,647</b>	<b>(34)</b>

The accompanying notes are an integral part of these financial statements.

VILLAGE OF CHATHAM, MICHIGAN  
NOTES TO FINANCIAL STATEMENTS

June 30, 2005

**NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:**

The financial statements of the Village have been prepared in accordance with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements (Statements and Interpretations). Governments are also required to follow the pronouncements of the Financial Accounting Standards Board (FASB) issued through November 30, 1989 (when applicable) that do not conflict with or contradict GASB pronouncements. The more significant of these accounting policies established in GAAP and used by the Village are described below.

**(1) REPORTING ENTITY**

The Village's financial statements present the Village (the primary government). In evaluating the Village as a reporting entity, management has addressed all potential component units (traditionally separate reporting units) for which the Village may or may not be financially accountable and, as such, be includable within the Village's financial statements.

**(2) BASIC FINANCIAL STATEMENTS – GOVERNMENT-WIDE FINANCIAL STATEMENTS:**

The Village's basic financial statements include both government-wide (reporting the Village as a whole) and fund financial statements (reporting the Village's major funds). Both the government-wide and fund financial statements categorize primary activities as either governmental or business-type. The Village's legislative, public works, public safety, community and economic development, recreation and culture and general services and administration are classified as governmental activities. The Village's Water System and Sewer System is classified as business-type activities.

In the government-wide Statement of Net Assets, both the governmental and business-type activities columns are presented on a consolidated basis by column and are reported on a full accrual, economic resource basis, which recognizes all long-term assets and receivables as well as long-term debt and obligations. The Village's net assets are reported in three parts – invested in capital assets, net of related debt; restricted net assets; and unrestricted net assets. The Village first utilizes restricted resources to finance qualifying activities.

The government-wide Statement of Activities reports both the gross and net cost of each of the Village's functions and business-type activities. The functions are also supported by general government revenues (property, sales and use taxes, certain intergovernmental revenues, fines, permits and charges, etc.) The Statement of Activities reduces gross expenses (including depreciation) by related program revenues, operating and capital grants. Program revenues must be directly associated with the function or a business-type activity. Operating grants include operating-specific and discretionary (either operating or capital) grants while the capital grants column reflects capital-specific grants. The net costs (by function or business-type activity) are normally covered by general revenue.

The government-wide focus is more on the sustainability of the Village as an entity and the change in the Village's net assets resulting from the current year's activities. For the most part, the effect of Interfund activities has been removed from these statements.

## NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

### (3) BASIC FINANCIAL STATEMENTS – FUND FINANCIAL STATEMENTS:

The financial transactions of the Village are reported in individual funds in the fund financial statements. Each fund is accounted for by providing a separate set of self-balancing accounts that comprises its assets, liabilities, reserves, fund equity, revenues and expenditures/expenses. The various funds are reported by generic classification within the financial statements.

The following fund types are used by the Village:

#### ***Governmental Funds:***

The focus of the governmental funds' measurement (in the fund statements) is upon determination of financial position (sources, uses, and balances of financial resources) rather than upon net income. The following is a description of the governmental funds of the Village:

**General Fund** – General Fund is the general operating fund and, accordingly, it is used to account for all financial resources except those required to be accounted for in another fund.

**Special Revenue**– Special Revenue Funds are used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for specific purposes.

#### ***Proprietary Funds***

The focus of proprietary fund measurement is upon determination of operating income, changes in net assets, financial position, and cash flows. The generally accepted accounting principles applicable are those similar to businesses in the private sector. The following is a description of the proprietary funds of the Village:

- **Enterprise Funds** – Enterprise Funds are used to account for operations (a) that are financed and operated in a manner similar to private business enterprises – where the intent of the governing body is that the cost (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenue earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.
- **Internal Service Funds** – Internal Service Funds are used to finance, administer and account for the financing of goods and services provided by one department or agency to other departments or agencies of the governmental unit or to other governmental units on a cost reimbursement basis.

The emphasis in fund financial statements is on the major funds in either the governmental or business-type activities categories. Non-major funds by category are summarized into a single column. GASB Statement No. 34 sets forth minimum criteria (percentage of the assets, liabilities, revenues or expenditures/expenses of either fund category or the governmental and enterprise combined) for the determination of major funds.

The Village reports the following major governmental funds:

- The **General Fund** is the Village's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

## NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

- The **Major Street Fund** is used to account for the maintenance and construction of a major street system.
- The **Local Street Fund** is used to account for the maintenance and construction of a local street system.

The Village reports the following major proprietary funds:

- The **Sewer Fund** is used to account for the revenues and expenses for the operation of a sewer system.
- The **Water Fund** is used to account for the revenues and expenses for the operation of a water system.

The Village's internal service funds are presented in the proprietary funds financial statements. Because the principal users of the internal services are the Village's governmental activities, the financial statement of the internal service fund is consolidated into the governmental column when presented in the government wide financial statements. To the extent possible, the cost of these services is reported in the appropriate functional activity (general government, public works, etc.)

### (4) BASIS OF ACCOUNTING

Basis of accounting refers to the point at which revenues or expenditures/expenses are recognized in the accounts and reported in the financial statements. It relates to the timing of the measurements made regardless of the measurement focus applied.

#### ***Accrual***

Both governmental and business-type activities in the government-wide financial statements and the proprietary and fiduciary fund financial statements are presented on the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized when incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenues as soon as all eligibility requirements imposed by the provider have been met.

All enterprise funds apply Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements, in which case, GASB prevails. Their revenues are recognized when they are earned, and their expenses are recognized when they are incurred.

#### ***Modified Accrual***

The governmental funds financial statements are presented on the modified accrual basis of accounting. Under the modified basis of accounting, revenues are recorded when they are both measurable and available. "Available" means collectible within the current period or within 60 days of the end of the current fiscal period. Expenditures are generally recognized under the modified accrual basis of accounting when the related liability is incurred. However, debt service expenditures, compensated absences, and claims and judgments are recorded only when payment is due.

## NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

### (5) FINANCIAL STATEMENT AMOUNTS

**Budgets and Budgetary Accounting** – The Village follows these procedures in establishing the budgetary data reflected in the financial statements:

- a. The Village President submits to the Village Board of Trustees a proposed operating budget for the fiscal year commencing the following July 1. The operating budget includes proposed expenditures and the means of financing them.
- b. Numerous opportunities exist for public comment during the budget process including at least two formal public hearings conducted at the Village Hall to obtain taxpayer comment.
- c. Pursuant to statute, prior to June 30 of each year the budget for the ensuing year is legally enacted through adoption of an Annual General Appropriations Act.
- d. The general statute governing Village budgetary activity is the State of Michigan Uniform Budgeting and Accounting Act. In addition to the provisions of the said Act and Board policy, general statements concerning the Board's intent regarding the administration of each year's budget are set out in the Annual General Appropriations Act. The Village Board of Trustees, through policy action, specifically directs the Supervisor not to authorize or participate in any expenditure of funds except as authorized by the Annual General Appropriations Act. The Board recognized that, in addition to possible Board sanctions for willful disregard of this policy, State statutes provide for civil liability for violations of the Annual General Appropriations Act.
- e. The Supervisor is authorized by means of Village policy to make certain transfers:
  1. The Supervisor receives a request for a budget transfer from the head of the department whose budget is to be affected. Such request must specify the necessity for the transfer, the account name and/or groups(s) and amount to be affected within prescribed limitations. Transfers in excess of those limitations must be approved by the Board of Trustees.
  2. The following considerations must be reviewed in determination of transfer approvals.
    - a. Are the transfers consistent with the intent of the Board of Trustees in adopting the annual budget?
    - b. Will the transfer maintain the financial integrity of the Village?
    - c. Will the transfer provide a reasonable solution to the Departmental operating problem?

Considering the above, the Supervisor will then decide whether or not the transfer should be made.

Supplemental appropriations are submitted to and reviewed by the Supervisor and submitted to the Village Board of Trustees for their review and approval. If approved, they are implemented by the Supervisor through a budget revision.

## NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

- f. The Village adopts its Annual Budget on a departmental basis. At each level of detail, governmental operations are summarized into expenditure account groups. Funding sources are also identified and adopted at each level of detail. Budgetary controls exist at the most detailed level adopted by the Board of Trustees, i.e., department for analytical purposes. A detailed line item breakdown is prepared for each program. Accounting, i.e., classification control, resides at the line item detail level.
- g. Budgets for the General Funds were adopted in substance on an accrual basis which is consistent with generally accepted accounting principles. Budgeted amounts as reported in the Financial Report are as originally adopted and/or amended by the Village Board of Trustees.

**Cash Equivalents and Investments** - For the purposes of balance sheet classification and the statement of cash flows, cash and equivalents consist of demand deposits, cash in savings, money market accounts and short-term certificates of deposit with original maturity of three months or less. Investments are carried at fair value.

**Capital Assets** – Capital assets, which include property, plant, equipment and infrastructure assets (e.g. streets, bridges, and sidewalks), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the Village as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of five years.

All capital assets are valued at historical cost or estimated historical cost if actual historical cost is not available. Donated capital assets are valued at their fair value on the date donated. Depreciation on all exhaustible capital assets is charged as an expense against their operations in government-wide statements and proprietary financial statements. Accumulated depreciation is reported on government-wide and proprietary statement of net assets. Depreciation has been provided over the estimated useful lives using the straight-line method. The estimated useful lives are as follows:

Land improvements	15 years
Building, structures and improvements	10-40 years
Equipment	5 years
Water and Sewage System	20-50 years
Vehicles	5 years
Infrastructure	20-50 years

**Long-Term Liabilities:** In the government-wide financial statements and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities and business-type activities or proprietary fund type statement of net assets. In the fund financial statements, the face amount of debt issued is reported as other financing sources.

**Estimates** – The preparation of financial statements in conformity with generally accepted accounting principles requires the use of estimates and assumptions that affect the reporting of certain assets, liabilities, revenues, and expenditures. Actual results may differ from estimated amounts.

**NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):**

**Property Taxes** – Property taxes are levied as of July 1 of each year and are due by the last day of the following March. The taxes are collected by the local unit and periodically remitted to the third parties during the collection period.

**Interfund Activity** – Interfund activity is reported as loans, services provided, reimbursements or transfers. Loans are reported as interfund receivables and payables as appropriate and are subject to elimination upon consolidation. Services provided, deemed to be at market or near market rates, are treated as revenues and expenditures/expenses. Reimbursements occur when one fund incurs a cost, charges the appropriate benefiting fund and reduces its related cost as a result of the reimbursement. All other interfund transactions are treated as transfers. Transfers between governmental or proprietary funds are netted as part of the reconciliation to the government-wide financial statements.

**NOTE B – DEPOSITS AND INVESTMENTS:****Cash Equivalents**

As of June 30, 2005, the Township's cash and cash equivalents and investments were reported in the basic financial statements in the following categories:

	Governmental Activities	Business Type Activities	Total Primary Government
Cash and equivalents	\$142,919	\$ 109,658	\$ 252,577
Investments	-	-	-
	<u>\$142,919</u>	<u>\$ 109,658</u>	<u>\$ 252,577</u>

***Custodial Credit Risk – Deposits***

Custodial credit risk is the risk that in the event of a bank failure, the Township's deposits may not be returned to it. State law does not require and the Township does not have a deposit policy for custodial credit risk. As of June 30, 2005, \$ 200,000 of the Township's bank balance of \$ 255,556 was exposed to custodial credit risk as being uninsured and uncollateralized.

**NOTE C – DUE TO/FROM OTHER FUNDS:**

The due to and from other funds resulting from unreimbursed expenses for the year are as follows:

Fund	Receivable	Fund	Payable
General Fund	\$2,065	Major Road Fund	\$155
		Local Road Fund	61
		Sewer System	845
		Water Fund	1,004
Water Fund	70	Waste Water Fund	70
Total	<u>\$2,135</u>	Total	<u>\$2,135</u>

## NOTE D – CAPITAL ASSETS:

A summary of the capital assets of the Governmental Activities is as follows:

	Balance at July 1, 2004	Additions	Disposals	Balance at June 30, 2005
<b>GOVERNMENTAL ACTIVITIES:</b>				
Land	\$1,000	\$-	\$-	\$1,000
Total Capital Assets, not being depreciated	1,000	-	-	1,000
Buildings and improvements	83,000	-	-	83,000
Furniture and equipment	50,378	-	-	50,378
Total Capital Assets, being depreciated	133,378	-	-	133,378
Less Accumulated Depreciation:				
Building and improvements	(12,450)	(2,075)	-	(14,525)
Furniture and equipment	(36,878)	(1,930)	-	(38,808)
Total Accumulated Depreciation	(49,328)	(4,005)	-	(53,333)
Governmental Activities Capital Assets, Net	\$ 85,050	\$(4,005)	\$-	\$81,045

Depreciation expenses for the governmental activities were charged to the following functions and activities of the primary government:

General and Administrative	\$2,075
Public Works	1,930
Total	<u>\$4,005</u>

A summary of changes in business-type activities capital assets is as follows:

	Balance at July 1, 2004	Additions	Disposals	Balance at June 30, 2005
<b>BUSINESS-TYPE ACTIVITIES:</b>				
Land	\$6,225	\$ -	\$ -	\$6,225
Total Capital Assets, not being depreciated	6,225	-	-	6,225
Buildings and improvements	2,315,815	-	-	2,315,815
Equipment	7,320	-	-	7,320
Total Capital Assets, being depreciated	2,323,135	-	-	2,323,135
Less Accumulated Depreciation:				
Buildings and improvements	(959,911)	(62,204)	-	(1,022,115)
Equipment	(1,830)	(366)	-	(2,196)
Total Accumulated Depreciation	(961,741)	(62,570)	-	(1,024,311)
Business-Type Capital Assets, Net	\$1,367,619	\$(62,570)	\$ -	\$1,305,049

Depreciation expense for the business-type activities was charged to the following functions and activities of the primary government:

Business-Type Activities:	
Sewer Fund	\$11,927
Water Fund	50,643
Total Depreciation Expense – Business-Type Activities	<u>\$62,570</u>

**NOTE E – LONG-TERM DEBT:**

**Junior Lien Water System Bond**  
**June 30, 2005**

	August 1	February 1		
	Interest	Interest	Principal	Total
2005-2006	\$5,910	\$5,910	\$2,000	\$13,820
2006-2007	5,849	5,849	2,000	13,698
2007-2008	5,788	5,788	4,000	15,576
2008-2009	5,666	5,666	5,000	16,332
2009-2010	5,513	5,513	5,000	16,026
2010-2011	5,359	5,359	5,000	15,718
2011-2012	5,206	5,206	6,000	16,412
2012-2013	5,023	5,023	6,000	16,046
2013-2014	4,839	4,839	7,000	16,678
2014-2015	4,624	4,624	7,000	16,248
2015-2016	4,410	4,410	7,000	15,820
2016-2017	4,196	4,196	8,000	16,392
2017-2018	3,951	3,951	8,000	15,902
2018-2019	3,706	3,706	9,000	16,412
2019-2020	3,430	3,430	10,000	16,860
2020-2021	3,124	3,124	10,000	16,248
2021-2022	2,818	2,818	11,000	16,636
2022-2023	2,481	2,481	11,000	15,962
2023-2024	2,144	2,144	12,000	16,288
2024-2025	1,776	1,776	13,000	16,552
2025-2026	1,378	1,378	14,000	16,756
2026-2027	949	949	15,000	16,898
2027-2028	490	490	16,000	16,980
<b>TOTALS</b>	<b>\$88,630</b>	<b>\$88,630</b>	<b>\$193,000</b>	<b>\$370,260</b>

The Bond was originally issued for \$217,000 on February 1, 1988. Bond Payments are due Semi-annually, February 1 (principal plus interest) and August 1 (interest), with an interest rate of 6.125%

	July 1, 2004	Additions	Subtractions	June 30, 2005
<b>Governmental Activities:</b>				
Building Loan – (Paid Off on 7/31/04)	\$1,443	\$-	\$1,443	\$-
Total Governmental Activities	\$1,443	\$-	\$1,443	\$-
<b>Business-Type Activities:</b>				
Junior Lien Water Revenue Bond	\$195,000	\$-	\$ 2,000	\$193,000
Total Business-Type Activities	195,000	-	2,000	193,000
<b>TOTAL PRIMARY GOVERNMENT LONG-TERM DEBT</b>	<b>\$196,443</b>	<b>\$-</b>	<b>\$3,443</b>	<b>\$193,000</b>

**NOTE F – RESERVED AND DESIGNATED NET ASSETS:**

The Water Fund has reserved net assets totaling \$47,813 which represents the balance available to pay down debt.

**NOTE G – PROPERTY TAXES:**

The Local Governmental Unit property tax is levied on each July 1<sup>st</sup> on the taxable valuation of property (as defined by State statutes) located in the Local Governmental Unit as of the preceding December 31<sup>st</sup>.

**NOTE G – PROPERTY TAXES (Continued):**

Although the Local Governmental Unit 2004 ad valorem tax is levied and collectible on July 1, 2004, it is the Local Governmental Unit's policy to recognize revenue from the current tax levy in the current year when the proceeds of this levy are budgeted and made "available" for the financing of operations. "Available" means collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period (60) days.

The 2004 taxable valuation of the Local Governmental Unit totaled \$3,849,381, on which ad valorem taxes levied consisted of 1.0000 mills for the Local Governmental Unit operation purposes. These amounts are recognized in the General Fund financial statements as revenue.

**NOTE H – CONTINGENT LIABILITIES:**

Risk Management - The Village is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Village has obtained commercial insurance to handle its risk of loss.

**NOTE I – EXCESS OF EXPENDITURES OVER APPROPRIATIONS:**

The Village has variances with regards to expenditures over appropriations in their funds as of June 30, 2005.

	Budget	Actual	Unfavorable Variance
General Fund:			
Legislative	\$2,500	\$3,800	\$1,300
Elections	750	872	122
Supervisor	2,200	3,250	1,050
Treasurer	3,500	5,020	1,520
Township Hall & Grounds	16,300	17,290	990
Streetlights	4,500	5,510	1,010
Payroll Taxes	300	1,220	920
Local Road:			
Streets	5,380	7,385	2,005
Liquor Law:			
Liquor Law Enforcement	-	652	652

## REQUIRED SUPPLEMENTAL FINANCIAL INFORMATION

**Village of Chatham, Michigan**

**GENERAL FUND**

**BUDGETARY COMPARISON SCHEDULE**

For the Fiscal Year Ended June 30, 2005

	<b>Budgeted Amounts</b>		<b>Actual GAAP Basis</b>	<b>Variance with Final Budget Positive (Negative)</b>
	<b>Original</b>	<b>Final</b>		
<b>REVENUES:</b>				
Taxes	\$ 16,000	\$ 16,000	\$ 18,221	\$ 2,221
State Sources	22,611	22,611	20,564	(2,047)
Interest	-	-	442	442
Other Revenues	3,039	3,039	1,852	(1,187)
<b>TOTAL REVENUES</b>	<b>41,650</b>	<b>41,650</b>	<b>41,079</b>	<b>(571)</b>
<b>EXPENDITURES:</b>				
Legislative	2,500	2,500	3,800	(1,300)
Elections	750	750	-	750
General Services and Administration	25,500	25,500	29,859	(4,359)
Public Works	4,500	4,500	5,510	(1,010)
Other	300	300	1,220	(920)
Debt service	8,100	8,100	1,540	6,560
<b>TOTAL EXPENDITURES</b>	<b>41,650</b>	<b>41,650</b>	<b>41,929</b>	<b>(279)</b>
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</b>	<b>-</b>	<b>-</b>	<b>(850)</b>	<b>(850)</b>
<b>OTHER FINANCING SOURCES (USES):</b>				
Transfers in	-	-	-	-
Transfers (out)	-	-	-	-
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>CHANGE IN FUND BALANCE</b>	<b>-</b>	<b>-</b>	<b>(850)</b>	<b>(850)</b>
Fund balance, beginning of year	31,374	31,374	31,374	-
<b>FUND BALANCE, END OF YEAR</b>	<b>\$ 31,374</b>	<b>\$ 31,374</b>	<b>\$ 30,524</b>	<b>\$ (850)</b>

**Village of Chatham, Michigan**

**MAJOR ROAD FUND**

**BUDGETARY COMPARISON SCHEDULE**

For the Fiscal Year Ended June 30, 2005

	<b>Budgeted Amounts</b>		<b>Actual</b>	<b>Variance with</b>
	<b>Original</b>	<b>Final</b>	<b>GAAP</b>	<b>Final Budget</b>
			<b>Basis</b>	<b>Positive</b>
				<b>(Negative)</b>
<b>REVENUES:</b>				
State Sources	\$ 101,000	\$ 101,000	\$ 21,297	\$ (79,703)
Interest	-	-	812	812
Other Revenue	70,374	70,374	-	(70,374)
<b>TOTAL REVENUES</b>	<b>171,374</b>	<b>171,374</b>	<b>22,109</b>	<b>(149,265)</b>
<b>EXPENDITURES:</b>				
Public Works	171,374	171,374	66,093	105,281
<b>TOTAL EXPENDITURES</b>	<b>171,374</b>	<b>171,374</b>	<b>66,093</b>	<b>105,281</b>
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</b>	<b>-</b>	<b>-</b>	<b>(43,984)</b>	<b>(43,984)</b>
<b>OTHER FINANCING SOURCES (USES):</b>				
Transfers in	-	-	-	-
Transfers (out)	-	-	-	-
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>CHANGE IN FUND BALANCE</b>	<b>-</b>	<b>-</b>	<b>(43,984)</b>	<b>(43,984)</b>
Fund balance, beginning of year	109,079	109,079	109,079	-
<b>FUND BALANCE, END OF YEAR</b>	<b>\$ 109,079</b>	<b>\$ 109,079</b>	<b>\$ 65,095</b>	<b>\$ (43,984)</b>

**Village of Chatham, Michigan**

LOCAL ROAD FUND

BUDGETARY COMPARISON SCHEDULE

For the Fiscal Year Ended June 30, 2005

	<b>Budgeted Amounts</b>		<b>Actual GAAP Basis</b>	<b>Variance with Final Budget Positive (Negative)</b>
	<b>Original</b>	<b>Final</b>		
<b>REVENUES:</b>				
State sources	\$ 12,000	\$ 12,000	\$ 12,418	\$ 418
Interest	-	-	613	613
Other Revenue	23,380	23,380	-	(23,380)
<b>TOTAL REVENUES</b>	<b>35,380</b>	<b>35,380</b>	<b>13,031</b>	<b>(22,349)</b>
<b>EXPENDITURES:</b>				
Public Works	35,380	35,380	7,385	27,995
<b>TOTAL EXPENDITURES</b>	<b>35,380</b>	<b>35,380</b>	<b>7,385</b>	<b>27,995</b>
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</b>	<b>-</b>	<b>-</b>	<b>5,646</b>	<b>5,646</b>
<b>OTHER FINANCING SOURCES (USES):</b>				
Transfers in	-	-	-	-
Transfers (out)	-	-	-	-
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>CHANGE IN FUND BALANCE</b>	<b>-</b>	<b>-</b>	<b>5,646</b>	<b>5,646</b>
Fund balance, beginning of year	47,911	47,911	47,911	-
<b>FUND BALANCE, END OF YEAR</b>	<b>\$ 47,911</b>	<b>\$ 47,911</b>	<b>\$ 53,557</b>	<b>\$ 5,646</b>

## Other Supplemental Information

**Village of Chatham, Michigan**

**MAJOR GOVERNMENTAL FUNDS**

**GENERAL FUND**

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -  
BUDGET AND ACTUAL**

For the Fiscal Year Ended June 30, 2005

	Final Budget	Actual GAAP Basis	Variance with Final Budget Positive (Negative)
<b>REVENUES:</b>			
Taxes:			
Current levy	\$ 13,000	\$ 15,748	\$ 2,748
Payment in lieu of taxes	3,000	2,473	(527)
Total Taxes	<u>16,000</u>	<u>18,221</u>	<u>2,221</u>
State Sources:			
State revenue sharing	22,611	20,564	(2,047)
Total State Sources	<u>22,611</u>	<u>20,564</u>	<u>(2,047)</u>
Interest			
Interest	-	442	442
Total Interest	<u>-</u>	<u>442</u>	<u>442</u>
Other Revenues:			
Miscellaneous other	3,039	1,852	(1,187)
Total Other Revenues	<u>3,039</u>	<u>1,852</u>	<u>(1,187)</u>
<b>TOTAL REVENUES</b>	<u>41,650</u>	<u>41,079</u>	<u>(571)</u>
<b>EXPENDITURES:</b>			
LEGISLATIVE:			
Township Board:			
Personnel services	2,500	3,800	(1,300)
Supplies	-	-	-
Other services and charges	-	-	-
TOTAL LEGISLATIVE	<u>2,500</u>	<u>3,800</u>	<u>(1,300)</u>
ELECTIONS:			
Personnel services	750	-	750
Supplies	-	-	-
Other services and charges	-	-	-
TOTAL ELECTIONS	<u>750</u>	<u>-</u>	<u>750</u>

**Village of Chatham, Michigan**

**MAJOR GOVERNMENTAL FUNDS**

**GENERAL FUND**

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -  
BUDGET AND ACTUAL**

For the Fiscal Year Ended June 30, 2005

	Final Budget	Actual GAAP Basis	Variance with Final Budget Positive (Negative)
<b>GENERAL SERVICES AND ADMINISTRATION:</b>			
Supervisor:			
Personnel services	\$ 2,200	\$ 3,250	\$ (1,050)
Supplies	-	-	-
Other services and charges	-	-	-
Total Supervisor	<u>2,200</u>	<u>3,250</u>	<u>(1,050)</u>
Assessing:			
Personnel services	-	-	-
Supplies	-	-	-
Other services and charges	-	872	(872)
Total Assessing	<u>-</u>	<u>872</u>	<u>(872)</u>
Clerk:			
Personnel services	3,500	3,425	75
Supplies	-	-	-
Other services and charges	-	-	-
Total Clerk	<u>3,500</u>	<u>3,425</u>	<u>75</u>
Treasurer:			
Personnel services	3,500	4,642	(1,142)
Supplies	-	-	-
Other services and charges	-	380	(380)
Total Treasurer	<u>3,500</u>	<u>5,022</u>	<u>(1,522)</u>
Township Hall and Grounds:			
Personnel services	2,800	830	1,970
Supplies	1,500	1,083	417
Other services and charges	12,000	15,377	(3,377)
Total Township Hall and Grounds	<u>16,300</u>	<u>17,290</u>	<u>(990)</u>
TOTAL GENERAL SERVICES AND ADMINISTRATION	<u>25,500</u>	<u>29,859</u>	<u>(4,359)</u>
<b>PUBLIC WORKS:</b>			
Streetlights:			
Other services and charges	<u>4,500</u>	<u>5,510</u>	<u>(1,010)</u>
TOTAL PUBLIC WORKS	<u>4,500</u>	<u>5,510</u>	<u>(1,010)</u>

**Village of Chatham, Michigan**

**MAJOR GOVERNMENTAL FUNDS**

**GENERAL FUND**

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -  
BUDGET AND ACTUAL**

For the Fiscal Year Ended June 30, 2005

	Final Budget	Actual GAAP Basis	Variance with Final Budget Positive (Negative)
<b>OTHER FUNCTIONS:</b>			
Payroll taxes	\$ 300	\$ 1,220	\$ (920)
<b>TOTAL OTHER FUNCTIONS</b>	<b>300</b>	<b>1,220</b>	<b>(920)</b>
<b>DEBT SERVICE:</b>			
Debt - Principal	7,200	1,443	5,757
Debt - Interest	900	97	803
<b>TOTAL DEBT SERVICE</b>	<b>8,100</b>	<b>1,540</b>	<b>6,560</b>
<b>TOTAL EXPENDITURES</b>	<b>41,650</b>	<b>41,929</b>	<b>(279)</b>
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</b>	<b>-</b>	<b>(850)</b>	<b>(850)</b>
<b>OTHER FINANCING SOURCES (USES):</b>			
Transfers In	-	-	-
Transfers (Out)	-	-	-
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>CHANGE IN FUND BALANCE</b>	<b>-</b>	<b>(850)</b>	<b>(850)</b>
Fund balance, beginning of year	31,374	31,374	-
<b>FUND BALANCE, END OF YEAR</b>	<b>\$ 31,374</b>	<b>\$ 30,524</b>	<b>\$ (850)</b>

**Village of Chatham, Michigan**

**MAJOR GOVERNMENTAL FUNDS**

**MAJOR ROAD FUND**

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -  
BUDGET AND ACTUAL**

For the Fiscal Year Ended June 30, 2005

	Final Budget	Actual GAAP Basis	Variance with Final Budget Positive (Negative)
<b>REVENUES:</b>			
State Revenue:			
Michigan transportation funds	\$ 21,000	\$ 21,297	\$ 297
Other state grants	80,000	-	(80,000)
Total State Revenue	<u>101,000</u>	<u>21,297</u>	<u>(79,703)</u>
Interest:			
Interest income - investments	-	812	812
Total Interest	<u>-</u>	<u>812</u>	<u>812</u>
Other Revenue:			
Other Revenue	70,374	-	(70,374)
Total Other Revenue	<u>70,374</u>	<u>-</u>	<u>(70,374)</u>
<b>TOTAL REVENUES</b>	<u>171,374</u>	<u>22,109</u>	<u>(149,265)</u>
<b>EXPENDITURES:</b>			
Public Works:			
Streets:			
Personnel services	1,704	1,709	(5)
Supplies	100	-	100
Other services and charges	5,570	4,569	1,001
Capital Outlay	164,000	59,815	104,185
Total Public Works	<u>171,374</u>	<u>66,093</u>	<u>105,281</u>
<b>TOTAL EXPENDITURES</b>	<u>171,374</u>	<u>66,093</u>	<u>105,281</u>
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</b>	<u>-</u>	<u>(43,984)</u>	<u>(43,984)</u>
<b>OTHER FINANCING SOURCES (USES):</b>			
Transfers In	-	-	-
Transfers (Out)	-	-	-
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<u>-</u>	<u>-</u>	<u>-</u>
<b>CHANGE IN FUND BALANCE</b>	<u>-</u>	<u>(43,984)</u>	<u>(43,984)</u>
Fund balance, beginning of year	109,079	109,079	-
<b>FUND BALANCE, END OF YEAR</b>	<u>\$ 109,079</u>	<u>\$ 65,095</u>	<u>\$ (43,984)</u>

**Village of Chatham, Michigan**

**MAJOR GOVERNMENTAL FUNDS**

**LOCAL ROAD FUND**

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -  
BUDGET AND ACTUAL**

For the Fiscal Year Ended June 30, 2005

	Final Budget	Actual GAAP Basis	Variance with Final Budget Positive (Negative)
<b>REVENUES:</b>			
State Revenue:			
Michigan transportation funds	\$ 12,000	\$ 12,418	\$ 418
Metro authority payment	-	-	-
Total State Revenue	12,000	12,418	418
Interest:			
Interest income - investments	-	613	613
Total Interest	-	613	613
Other Revenue:			
Other Revenue	23,380	-	(23,380)
Total Other Revenues	23,380	-	(23,380)
<b>TOTAL REVENUES</b>	<b>35,380</b>	<b>13,031</b>	<b>(22,349)</b>
<b>EXPENDITURES:</b>			
Public Works			
Streets:			
Personnel Services	1,710	1,679	31
Supplies	100	-	100
Other Services & Charges	3,570	5,706	(2,136)
Capital Outlay	30,000	-	30,000
Total Public Works	35,380	7,385	27,995
<b>TOTAL EXPENDITURES</b>	<b>35,380</b>	<b>7,385</b>	<b>27,995</b>
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</b>	<b>-</b>	<b>5,646</b>	<b>5,646</b>
<b>OTHER FINANCING SOURCES (USES):</b>			
Transfers In	-	-	-
Transfers (Out)	-	-	-
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>CHANGE IN FUND BALANCE</b>	<b>-</b>	<b>5,646</b>	<b>5,646</b>
Fund balance, beginning of year	47,911	47,911	-
<b>FUND BALANCE, END OF YEAR</b>	<b>\$ 47,911</b>	<b>\$ 53,557</b>	<b>\$ 5,646</b>

**Village of Chatham, Michigan**

**NON-MAJOR GOVERNMENTAL FUNDS**

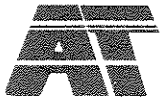
**SPECIAL REVENUE  
LIQUOR LAW FUND**

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -  
BUDGET AND ACTUAL**

For the Fiscal Year Ended June 30, 2005

	Final Budget	Actual GAAP Basis	Variance with Final Budget Positive (Negative)
<b>REVENUES:</b>			
State shared revenues	\$ -	\$ 632	\$ 632
<b>TOTAL REVENUES</b>	-	632	632
<b>EXPENDITURES:</b>			
Public Safety:			
Liquor Law Enforcement			
Personnel services	-	-	-
Supplies	-	-	-
Other services and charges	-	632	(632)
Capital outlay	-	-	-
Total Public Safety	-	632	(632)
<b>TOTAL EXPENDITURES</b>	-	632	(632)
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</b>	-	-	-
<b>OTHER FINANCING SOURCES (USES):</b>			
Transfers in	-	-	-
Transfers (out)	-	-	-
<b>TOTAL OTHER FINANCING SOURCES</b>	-	-	-
<b>CHANGES IN FUND BALANCE</b>	-	-	-
Fund balance, beginning of year	-	-	-
<b>FUND BALANCE, END OF YEAR</b>	\$ -	\$ -	\$ -

## Compliance Supplements



# ANDERSON, TACKMAN & COMPANY, P.L.C.

CERTIFIED PUBLIC ACCOUNTANTS

PARTNERS

JOHN W. BLEMBERG, CPA

ROBERT J. DOWNS, CPA, CVA

DANIEL E. BIANCHI, CPA

MICHIGAN  
ESCANABA  
IRON MOUNTAIN  
KINROSS  
MARQUETTE  
WISCONSIN  
GREEN BAY  
MILWAUKEE

## REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

To the Honorable President and Village Board of Trustees  
Village of Chatham, Michigan  
P.O. Box 167  
Chatham, Michigan 49816

We have audited the financial statements of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of the Village of Chatham, Michigan as of and for the year ended June 30, 2005, which collectively comprise the Village of Chatham, Michigan basic financial statements of the and have issued our report thereon dated October 7, 2005. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

### Compliance and Other matters

As part of obtaining reasonable assurance about whether the Village of Chatham, Michigan's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*, which are described in a separate letter to management dated October 7, 2005.

### Internal Control over Financial Reporting

In planning and performing our audit, we considered Village of Chatham's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk of material misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

This report is intended solely for the information and use of the audit committee, management, and Village Board of Trustees and is not intended to be and should not be used by anyone other than these specified parties.

*Anderson, Tackman & Company, PLC*  
Certified Public Accountants

October 7, 2005



# ANDERSON, TACKMAN & COMPANY, P.L.C.

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### ***Village of Chatham, Michigan*** ***Report to Management Letter*** ***For the Year Ended June 30, 2005***

To the Honorable Supervisor and Village Board  
Village of Chatham, Michigan  
PO Box 167  
Chatham, MI 49816

In planning and performing our audit of the financial statements of the Village of Chatham, Michigan for the year ended June 30, 2005, we considered its internal control structure for the purpose of expressing an opinion on the financial statements and not to provide assurance on the internal control structure. However, we noted no matters involving the internal control structure and its operation that we consider reportable conditions under standards established by the American Institute of Certified Public Accountants. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control structure that, in our judgment, could adversely affect the Village's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements.

#### **INSTANCES OF NON-COMPLIANCE**

##### **Uniform Budgeting and Accounting Act (P.A. 621)**

The State of Michigan has enacted Public Act 621, the Uniform Budgeting and Accounting Act, to provide for a system of uniform procedures for the preparation and execution of budgets in local units of government. The purpose of P.A. 621 is to require that all local units of government adopt balanced budgets, to establish responsibilities and define the procedure for the preparation, adoption and maintenance of the budget, and to require certain information for the budget process.

The major provisions of P.A. 621 are as follows:

1. Local Units of government must adopt a budget.
2. The budget, including accrued deficits and available unappropriated surpluses, must be balanced.
3. The budget must be amended when necessary.
4. Debt shall not be entered into unless the debt is permitted by law.
5. Expenditures shall not be incurred in excess of the amount appropriated.
6. Expenditures shall not be made unless authorized in the budget.
7. Violations of the act, disclosed in an audit of the financial records, in the absence of reasonable procedures shall be filed with the State Treasurer and reported to the Attorney General.

To the Honorable Supervisor and Village Board  
Village of Chatham, Michigan

The Village was found to be in violation of the legal and contractual provisions of Public Act 621 in certain individual funds as enumerated upon in the footnotes.

This report is intended solely for the information and use of the Village's management, and others within the Village Administration.

We appreciate and would like to thank the Village's staff for the cooperation and courtesy extended to us during our audit. We would be please to discuss any comments or answer any questions regarding our audit with you at your convenience.

*Anderson, Tackman & Company, PLC*  
Certified Public Accountants

October 7, 2005